

**2SHB 2673 - H AMD 931**

By Representative McIntire

ADOPTED AS AMENDED 02/14/2006

1 Strike everything after the enacting clause and insert the  
2 following:

3 **"PART I**

4 **INTENT AND DEFINITIONS**

5 NEW SECTION. **Sec. 101.** INTENT. The legislature recognizes that  
6 the state as a whole benefits from investment in public infrastructure  
7 because it promotes community and economic development. Public  
8 investment stimulates business activity and helps create jobs;  
9 stimulates the redevelopment of brownfields and blighted areas in the  
10 inner city; lowers the cost of housing; and promotes efficient land  
11 use. The legislature finds that these activities generate revenue for  
12 the state and that it is in the public interest to invest in these  
13 projects through a credit against the state sales and use tax and an  
14 allocation of property tax revenue to those sponsoring local  
15 governments that can demonstrate the expected returns to the state.

16 NEW SECTION. **Sec. 102.** DEFINITIONS. The definitions in this  
17 section apply throughout this chapter unless the context clearly  
18 requires otherwise.

19 (1) "Annual state contribution limit" means five million dollars  
20 statewide per fiscal year.

21 (2) "Assessed value" means the valuation of taxable real property  
22 as placed on the last completed assessment roll.

23 (3) "Base year" means the first calendar year following the  
24 creation of a revenue development area.

25 (4) "Department" means the department of revenue.

26 (5) "Demonstration project" means one of the following projects:

27 (a) Port of Walla Walla RailEx infrastructure project;

28 (b) Bellingham waterfront redevelopment project;

1 (c) Covington elementary school redevelopment project;

2 (d) Grays Harbor biomass plant project;

3 (e) Gig Harbor St. Anthony's hospital and retail area  
4 infrastructure project;

5 (f) Bothell gateway project.

6 (6) "Fiscal year" means the twelve-month period beginning July 1st  
7 and ending the following June 30th.

8 (7) "Local excise taxes" means local revenues derived from the  
9 imposition of sales and use taxes authorized in RCW 82.14.030 at the  
10 tax rate that was in effect at the time the revenue development area  
11 was created.

12 (8) "Local excise tax allocation revenue" means the amount of local  
13 excise taxes received by the local government during the measurement  
14 year from taxable activity within the revenue development area over and  
15 above the amount of local excise taxes received by the local government  
16 during the base year from taxable activity within the revenue  
17 development area, except that:

18 (a) If a sponsoring local government creates a revenue development  
19 area and reasonably determines that no activity subject to tax under  
20 chapters 82.08 and 82.12 RCW occurred in the twelve months immediately  
21 preceding the creation of the revenue development area within the  
22 boundaries of the area that became the revenue development area, "local  
23 excise tax allocation revenue" means the entire amount of local excise  
24 taxes received by the sponsoring local government during a calendar  
25 year period beginning with the calendar year immediately following the  
26 creation of the revenue development area and continuing with each  
27 measurement year thereafter; and

28 (b) For revenue development areas created in calendar year 2006  
29 that do not meet the requirements in (a) of this subsection, "local  
30 excise tax allocation revenue" means the amount of local excise taxes  
31 received by the sponsoring local government during the measurement year  
32 from taxable activity within the revenue development area over and  
33 above an amount of local excise taxes received by the sponsoring local  
34 government during the 2007 base year adjusted by the department for any  
35 estimated impacts from retail sales and use tax sourcing changes  
36 effective July 1, 2007. The amount of base year adjustment determined  
37 by the department is final.

1 (9) "Local government" means any city, town, county, port district,  
2 and for the purpose of this chapter any federally recognized Indian  
3 tribe.

4 (10) "Local infrastructure financing" means the use of revenues  
5 received from local excise tax allocation revenues, local property tax  
6 allocation revenues, dedicated revenues from local public sources, and  
7 revenues received from the local option sales and use tax authorized in  
8 section 202 of this act to pay the principal and interest on bonds  
9 authorized under section 501 of this act.

10 (11) "Local property tax allocation revenue" means those tax  
11 revenues derived from the receipt of regular property taxes levied on  
12 the property tax allocation revenue value and used for local  
13 infrastructure financing.

14 (12) "Local public sources" means federal and private monetary  
15 contributions, and amounts of local excise tax allocation revenues  
16 dedicated by participating local governments and local property tax  
17 allocation revenues dedicated by participating taxing districts.

18 (13) "Low-income housing" means residential housing for persons or  
19 families who lack the amount of income which is necessary to enable  
20 them, without financial assistance, to live in decent, safe, and  
21 sanitary dwellings, without overcrowding.

22 (14) "Measurement year" means a calendar year, beginning with the  
23 calendar year following the base year and each calendar year  
24 thereafter, that is used annually to measure state and local excise tax  
25 allocation revenues.

26 (15) "Ordinance" means any appropriate method of taking legislative  
27 action by a local government.

28 (16) "Participating local government" means a local government with  
29 the revenue development area within its geographic boundaries that has  
30 entered into a written agreement with a sponsoring local government to  
31 allow the use of all or some of its local excise tax allocation  
32 revenues or dedicated revenues from local public sources for local  
33 infrastructure financing.

34 (17) "Participating taxing district" means any taxing district  
35 levying regular property taxes on real property within a revenue  
36 development area, where a sponsoring local government has obtained  
37 written agreement for the use of local infrastructure financing to

1 finance all or a portion of the costs of designated public improvements  
2 as provided in section 205 of this act.

3 (18) "Property tax allocation revenue value" means seventy-five  
4 percent of any increase in the assessed value of real property in a  
5 revenue development area due to the placement of new construction and  
6 improvements to property on the assessment rolls after the revenue  
7 development area is created, where the new construction or improvements  
8 occur entirely after the revenue development area is created.  
9 "Property tax allocation revenue value" does not include any increase  
10 in the assessed value of real property representing new construction  
11 and improvements to property occurring after their initial placement on  
12 the assessment rolls, except that for new construction which represents  
13 entire buildings, allocation revenue value includes seventy-five  
14 percent of any increase in the assessed value of such new construction  
15 in the years following its initial placement on the assessment rolls.  
16 There is no property tax allocation revenue value if the assessed value  
17 of real property in a revenue development area has not increased due to  
18 new construction and improvements to property occurring after the  
19 revenue development area is created.

20 (19) "Property taxing district" means a government entity that  
21 levies or has levied for it regular property taxes upon real property  
22 located within a proposed or approved revenue development area.

23 (20) "Public improvements" means:

24 (a) Infrastructure improvements within the revenue development area  
25 that include:

- 26 (i) Street, bridge, and road construction and maintenance;
- 27 (ii) Water and sewer system construction and improvements;
- 28 (iii) Sidewalks, traffic controls, and streetlights;
- 29 (iv) Parking, terminal, and dock facilities;
- 30 (v) Park and ride facilities of a transit authority;
- 31 (vi) Park facilities and recreational areas; and
- 32 (vii) Storm water and drainage management systems;

33 (b) Expenditures for facilities and improvements that support  
34 affordable housing as defined in RCW 43.63A.510.

35 (21) "Public improvement costs" means the cost of: (a) Design,  
36 planning, acquisition including land acquisition, site preparation  
37 including land clearing, construction, reconstruction, rehabilitation,  
38 improvement, and installation of public improvements; (b) demolishing,

1 relocating, maintaining, and operating property pending construction of  
2 public improvements; (c) the local government's portion of relocating  
3 utilities as a result of public improvements; (d) financing public  
4 improvements, including interest during construction, legal and other  
5 professional services, taxes, insurance, principal and interest costs  
6 on general indebtedness issued to finance public improvements, and any  
7 necessary reserves for general indebtedness; (e) assessments incurred  
8 in revaluing real property for the purpose of determining the property  
9 tax allocation revenue base value that are in excess of costs incurred  
10 by the assessor in accordance with the revaluation plan under chapter  
11 84.41 RCW, and the costs of apportioning the taxes and complying with  
12 this chapter and other applicable law; and (f) administrative expenses  
13 and feasibility studies reasonably necessary and related to these  
14 costs, including related costs that may have been incurred before  
15 adoption of the ordinance authorizing the public improvements and the  
16 use of local infrastructure financing to fund the costs of the public  
17 improvements.

18 (22) "Regular property taxes" means regular property taxes as  
19 defined in RCW 84.04.140, except: (a) Regular property taxes levied by  
20 public utility districts specifically for the purpose of making  
21 required payments of principal and interest on general indebtedness;  
22 (b) regular property taxes levied by the state for the support of the  
23 common schools under RCW 84.52.065; and (c) regular property taxes  
24 authorized by RCW 84.55.050 that are limited to a specific purpose.  
25 "Regular property taxes" do not include excess property tax levies that  
26 are exempt from the aggregate limits for junior and senior taxing  
27 districts as provided in RCW 84.52.043.

28 (23) "Property tax allocation revenue base value" means the  
29 assessed value of real property located within a revenue development  
30 area for taxes levied in the year in which the revenue development area  
31 is created for collection in the following year, plus one hundred  
32 percent of any increase in the assessed value of real property located  
33 within a revenue development area that is placed on the assessment  
34 rolls after the revenue development area is created, less the property  
35 tax allocation revenue value.

36 (24) "Relocating a business" means the closing of a business and  
37 the reopening of that business, or the opening of a new business that  
38 engages in the same activities as the previous business, in a different

1 location within a one-year period, when an individual or entity has an  
2 ownership interest in the business at the time of closure and at the  
3 time of opening or reopening. "Relocating a business" does not include  
4 the closing and reopening of a business in a new location where the  
5 business has been acquired and is under entirely new ownership at the  
6 new location, or the closing and reopening of a business in a new  
7 location as a result of the exercise of the power of eminent domain.

8 (25) "Revenue development area" means the geographic area created  
9 by a sponsoring local government from which local tax allocation  
10 revenues are derived for local infrastructure financing.

11 (26) "Small business" has the same meaning as provided in RCW  
12 19.85.020.

13 (27) "Sponsoring local government" means a city, town, or county,  
14 and for the purpose of this chapter a federally recognized Indian tribe  
15 or any combination thereof, that creates a revenue development area and  
16 applies to the department to use local infrastructure financing.

17 (28) "State contribution" means the lesser of one million dollars  
18 or an amount equal to:

19 (a) The state excise tax allocation revenue and state property tax  
20 allocation revenue received by the state during the preceding calendar  
21 year;

22 (b) The amount of local excise tax allocation revenues, local  
23 property tax allocation revenues, and revenues from local public  
24 sources that are dedicated by a sponsoring local government in the  
25 preceding calendar year to the payment of principal and interest on  
26 bonds issued under section 501 of this act; or

27 (c) The amount of project award granted by the department in the  
28 notice of approval to use local infrastructure financing under section  
29 202 of this act.

30 (29) "State excise taxes" means revenues derived from state retail  
31 sales and use taxes under chapters 82.08 and 82.12 RCW, less the amount  
32 of tax distributions from all taxes imposed on the same taxable events  
33 that are credited against the state taxes under chapters 82.08 and  
34 82.12 RCW.

35 (30) "State excise tax allocation revenue" means the amount of  
36 state excise taxes received by the state during the measurement year  
37 from taxable activity within the revenue development area over and

1 above the amount of state excise taxes received by the state during the  
2 base year from taxable activity within the revenue development area,  
3 except that:

4 (a) If a sponsoring local government creates a revenue development  
5 area and reasonably determines that no activity subject to tax under  
6 chapters 82.08 and 82.12 RCW occurred in the twelve months immediately  
7 preceding the creation of the revenue development area within the  
8 boundaries of the area that became the revenue development area, "state  
9 excise tax allocation revenue" means the entire amount of state excise  
10 taxes received by the state during a calendar year period beginning  
11 with the calendar year immediately following the creation of the  
12 revenue development area and continuing with each measurement year  
13 thereafter; and

14 (b) For revenue development areas created in calendar year 2006  
15 that do not meet the requirements in (a) of this subsection, "local  
16 excise tax allocation revenue" means the amount of state excise taxes  
17 received by the state during the measurement year from taxable activity  
18 within the revenue development area over and above an amount of state  
19 excise taxes received by the state during the 2007 base year adjusted  
20 by the department for any estimated impacts from retail sales and use  
21 tax sourcing changes effective July 1, 2007. The amount of base year  
22 adjustment determined by the department is final.

23 (31) "State property tax allocation revenue" means those tax  
24 revenues derived from the imposition of property taxes levied by the  
25 state for the support of common schools under RCW 84.52.065 on the  
26 property tax allocation revenue value.

27 (32) "Taxing authority" means a governmental entity that imposes a  
28 sales or use tax under chapter 82.14 RCW upon the occurrence of any  
29 taxable event within a proposed or approved revenue development area.

30 (33) "Urban growth area" has the same meaning as provided in  
31 chapter 36.70A RCW.

## 32 PART II

### 33 LOCAL INFRASTRUCTURE FINANCING TOOL

34 NEW SECTION. **Sec. 201.** CREATION OF THE LOCAL INFRASTRUCTURE  
35 FINANCING TOOL PROGRAM. The local infrastructure financing tool  
36 program is created to assist local governments in financing authorized

1 public infrastructure projects designed to promote economic development  
2 in the jurisdiction. The local infrastructure financing tool program  
3 is not created to enable existing Washington-based businesses from  
4 outside a revenue development area to relocate into a revenue  
5 development area.

6 NEW SECTION. **Sec. 202.** LOCAL INFRASTRUCTURE FINANCING TOOL  
7 PROGRAM APPLICATION. (1) Prior to applying to the department to use  
8 local infrastructure financing, a sponsoring local government shall:

9 (a) Designate a revenue development area within the limitations in  
10 section 203 of this act;

11 (b) Certify that the conditions in section 204 of this act are met;

12 (c) Complete the process in section 205 of this act;

13 (d) Provide public notice as required in section 207 of this act;

14 and

15 (e) Pass an ordinance adopting the revenue development area as  
16 required in section 206 of this act.

17 (2) The department shall approve applications on a first-in-time  
18 basis. The application shall be in a form and manner prescribed by the  
19 department and include but not be limited to information supporting  
20 that the applicant is an eligible candidate to impose the local sales  
21 and use tax under section 401 of this act, the anticipated effective  
22 date for imposing the tax, the estimated number of years that the tax  
23 will be imposed, and the estimated amount of tax revenue to be received  
24 in each fiscal year that the tax will be imposed. The department shall  
25 make available forms to be used for this purpose. As part of the  
26 application, each sponsoring local government must provide to the  
27 department a copy of the ordinance or ordinances creating the revenue  
28 development area as required in section 206 of this act. The  
29 department shall rule on completed applications within sixty days of  
30 receipt. A notice of approval to use local infrastructure financing  
31 shall contain a maximum amount of project award that represents the  
32 amount of state contribution that the applicant can earn each year that  
33 local infrastructure financing is used. The total of all project  
34 awards shall not exceed the annual state contribution limit. The  
35 determination of a project award shall be made based on information  
36 contained in the application and the remaining amount of annual state

1 contribution limit to be awarded. Determination of a project award by  
2 the department is final.

3 (3) Beginning August 1, 2006, the department may begin accepting  
4 applications from sponsoring local governments that have a  
5 demonstration project within the boundaries of the revenue development  
6 area. No new applications shall be considered by the department after  
7 the earlier of September 30, 2008, or the date the entire annual state  
8 contribution limit is awarded.

9 (4) A revenue development area is considered created when the  
10 sponsoring local government, including any cosponsoring local  
11 government, has adopted an ordinance creating the revenue development  
12 area and the department has approved the sponsoring local government to  
13 use local infrastructure financing. If a sponsoring local government  
14 receives approval from the department after the fifteenth day of  
15 October to use local infrastructure financing, the revenue development  
16 area is considered created in the calendar year following the approval.  
17 Once the department has approved the sponsoring local government to use  
18 local infrastructure financing, notification shall be sent to the  
19 sponsoring local government authorizing the sponsoring local government  
20 to impose the local sales and use tax, subject to the conditions in  
21 section 401 of this act.

22 (5) The department may adopt any rules under chapter 34.05 RCW it  
23 considers necessary for the administration of this chapter.

24 NEW SECTION. **Sec. 203.** LIMITATIONS ON REVENUE DEVELOPMENT AREAS.  
25 The designation of a revenue development area is subject to the  
26 following limitations:

27 (1) The taxable real property within the revenue development area  
28 boundaries may not exceed one billion dollars in assessed value at the  
29 time the revenue development area is designated;

30 (2) The average assessed value per square foot of taxable land  
31 within the revenue development area boundaries may not exceed seventy  
32 dollars at the time the revenue development area is designated;

33 (3) No more than one revenue development area may be created in a  
34 county;

35 (4) A revenue development area is limited to contiguous tracts,  
36 lots, pieces, or parcels of land without the creation of islands of  
37 property not included in the revenue development area;

1 (5) The boundaries may not be drawn to purposely exclude parcels  
2 where economic growth is unlikely to occur;

3 (6) The public improvements financed through local infrastructure  
4 financing must be located in the revenue development area;

5 (7) A revenue development area cannot comprise an area containing  
6 more than twenty-five percent of the total assessed value of the  
7 taxable real property within the boundaries of the sponsoring local  
8 government, including any cosponsoring local government, at the time  
9 the revenue development area is designated; and

10 (8) The boundaries of the revenue development area shall not be  
11 changed for the time period that local infrastructure financing is  
12 used.

13 NEW SECTION. **Sec. 204.** CONDITIONS. The use of local  
14 infrastructure financing under this chapter is subject to the following  
15 conditions:

16 (1) No funds may be used to finance, design, acquire, construct,  
17 equip, operate, maintain, remodel, repair, or reequip public facilities  
18 funded with taxes collected under RCW 82.14.048;

19 (2)(a) Except as provided in (b) of this subsection no funds may be  
20 used for public improvements other than projects identified within the  
21 capital facilities, utilities, housing, or transportation element of a  
22 comprehensive plan required under chapter 36.70A RCW;

23 (b) Funds may be used for public improvements that are historical  
24 preservation activities as defined in RCW 39.89.020;

25 (3) The public improvements proposed to be financed in whole or in  
26 part using local infrastructure financing are expected to encourage  
27 private development within the revenue development area and to increase  
28 the fair market value of real property within the revenue development  
29 area;

30 (4) A sponsoring local government or participating local government  
31 has entered or expects to enter into a contract with a private  
32 developer relating to the development of private improvements within  
33 the revenue development area or has received a letter of intent from a  
34 private developer relating to the developer's plans for the development  
35 of private improvements within the revenue development area;

36 (5) Private development that is anticipated to occur within the  
37 revenue development area, as a result of the public improvements, will

1 be consistent with the countywide planning policy adopted by the county  
2 under RCW 36.70A.210 and the local government's comprehensive plan and  
3 development regulations adopted under chapter 36.70A RCW;

4 (6) The governing body of the sponsoring local government must make  
5 a finding that local infrastructure financing:

6 (a) Is not expected to be used for the purpose of relocating a  
7 business from outside the revenue development area, but within this  
8 state, into the revenue development area; and

9 (b) Will improve the viability of existing business entities within  
10 the revenue development area;

11 (7) The governing body of the sponsoring local government finds  
12 that the public improvements proposed to be financed in whole or in  
13 part using local infrastructure financing are reasonably likely to:

14 (a) Increase private residential and commercial investment within  
15 the revenue development area;

16 (b) Increase employment within the revenue development area;

17 (c) Improve the viability of existing communities that are based on  
18 mixed-use development within the revenue development area; and

19 (d) Generate, over the period of time that the local option sales  
20 and use tax will be imposed under section 401 of this act, state excise  
21 tax allocation revenues and state property tax allocation revenues  
22 derived from the revenue development area that are equal to or greater  
23 than the respective state contributions made under this chapter;

24 (8) The sponsoring local government may only use local  
25 infrastructure financing in areas deemed in need of economic  
26 development or redevelopment within boundaries of the sponsoring local  
27 government.

28 NEW SECTION. **Sec. 205.** PROCESS. Before adopting an ordinance  
29 creating the revenue development area, a sponsoring local government  
30 must:

31 (1) Obtain written agreement from any participating local  
32 government and participating taxing district to use dedicated amounts  
33 of revenues from local public sources, local excise tax allocation  
34 revenues, and local property tax allocation revenues, in whole or in  
35 part, for local infrastructure financing authorized under this chapter.  
36 The agreement to opt into the local infrastructure financing public

1 improvement project must be authorized by the governing body of such  
2 participating local government and participating taxing district;

3 (2) Estimate the impact of the revenue development area on small  
4 business and low-income housing and develop a mitigation plan for the  
5 impacted businesses and housing. In analyzing the impact of the  
6 revenue development area, the sponsoring local government must develop:

7 (a) An inventory of existing low-income housing units, and  
8 businesses and retail activity within the revenue development area;

9 (b) A reasonable estimate of the number of low-income housing  
10 units, small businesses, and other commercial activity that may be  
11 vulnerable to displacement within the revenue development area;

12 (c) A reasonable estimate of projected net job growth and net  
13 housing growth caused by creation of the revenue development area when  
14 compared to the existing jobs or housing balance for the area; and

15 (d) A reasonable estimate of the impact of net housing growth on  
16 the current housing price mix.

17 NEW SECTION. **Sec. 206.** ORDINANCE. (1) To create a revenue  
18 development area, a sponsoring local government must adopt an ordinance  
19 establishing the revenue development area that:

20 (a) Describes the public improvements proposed to be made in the  
21 revenue development area;

22 (b) Describes the boundaries of the revenue development area,  
23 subject to the limitations in section 203 of this act;

24 (c) Estimates the cost of the proposed public improvements and the  
25 portion of these costs to be financed by local infrastructure  
26 financing;

27 (d) Estimates the time during which local excise tax allocation  
28 revenues, local property tax allocation revenues, and revenues from  
29 local public sources are to be used for local infrastructure financing;

30 (e) Provides the date when the use of local excise tax allocation  
31 revenues and local property tax allocation revenues will commence; and

32 (f) Finds that the conditions in section 204 of this act are met  
33 and the findings in section 205 of this act are complete.

34 (2) The sponsoring local government must hold a public hearing on  
35 the proposed financing of the public improvements in whole or in part  
36 with local infrastructure financing at least thirty days before passage  
37 of the ordinance establishing the revenue development area. The public

1 hearing may be held by either the governing body of the sponsoring  
2 local government, or by a committee of that governing body that  
3 includes at least a majority of the whole governing body. The public  
4 hearing is subject to the notice requirements in section 207 of this  
5 act.

6 (3) The sponsoring local government shall deliver a certified copy  
7 of the adopted ordinance to the county treasurer, the governing body of  
8 each participating local government within which the revenue  
9 development area is located, and the department.

10 NEW SECTION. **Sec. 207.** NOTICE REQUIREMENTS. Prior to adopting  
11 the ordinance creating the revenue development area and to meet the  
12 requirements of section 501(1)(b) of this act, a sponsoring local  
13 government must provide public notice.

14 (1) Notice of the public hearing must be published in a legal  
15 newspaper of general circulation within the proposed revenue  
16 development area at least ten days before the public hearing and posted  
17 in at least six conspicuous public places located in the proposed  
18 revenue development area.

19 (2) Notice must also be sent by United States mail to the property  
20 owners, all identifiable community-based organizations with involvement  
21 in the proposed revenue development area, and the business enterprises  
22 located within the proposed revenue development area at least thirty  
23 days prior to the hearing. In implementing provisions under this  
24 chapter, the local governing body may also consult with community-based  
25 groups, business organizations, including the local chamber of  
26 commerce, and the office of minority and women's business enterprises  
27 to assist with providing appropriate notice to business enterprises and  
28 property owners for whom English is a second language.

29 (3) Notices must describe the contemplated public improvements,  
30 estimate the public improvement costs, describe the portion of the  
31 public improvement costs to be borne by local infrastructure financing,  
32 describe any other sources of revenue to finance the public  
33 improvements, describe the boundaries of the proposed revenue  
34 development area, estimate the impact that the public improvements will  
35 have on small businesses and low-income housing, and estimate the  
36 period during which local infrastructure financing is contemplated to  
37 be used.

1 (4) Notices must inform the public where to obtain the information  
2 that shows how the limitations, conditions, and findings required in  
3 sections 203 through 205 of this act are met.

4 (5) The sponsoring local government shall deliver a certified copy  
5 of the proposed ordinance to the county treasurer, the governing body  
6 of each participating local government within which the revenue  
7 development area is located, and the department.

8 **PART III**  
9 **TAX ALLOCATION REVENUES**

10 NEW SECTION. **Sec. 301.** LOCAL EXCISE TAX ALLOCATION REVENUES. (1)  
11 A sponsoring local government or participating local government may use  
12 annually its local excise tax allocation revenues to finance public  
13 improvements in the revenue development area financed in whole or in  
14 part by local infrastructure financing. The use of local excise tax  
15 allocation revenues dedicated by participating local governments must  
16 cease when such allocation revenues are no longer necessary or  
17 obligated to pay bonds issued to finance the public improvements in the  
18 revenue development area. Any participating taxing authority is  
19 authorized to dedicate local excise tax allocation revenues to the  
20 sponsoring local government as authorized in section 205(1) of this  
21 act.

22 (2) A sponsoring local government shall provide the department  
23 accurate information describing the geographical boundaries of the  
24 revenue development area at the time of application. The information  
25 shall be provided in an electronic format or manner as prescribed by  
26 the department. The sponsoring local government shall ensure that the  
27 boundary information provided to the department is kept current.

28 (3) In the event a city annexes a county area located within a  
29 county-sponsored revenue development area, the city shall remit to the  
30 county the portion of the local excise tax allocation revenue that the  
31 county would have received had the area not been annexed to the county.  
32 The city shall remit such revenues until such time as the bonds issued  
33 under section 501 of this act are retired.

34 NEW SECTION. **Sec. 302.** LOCAL PROPERTY TAX ALLOCATION REVENUES.  
35 (1) Commencing in the second calendar year following the passage of the

1 ordinance creating a revenue development area and authorizing the use  
2 of local infrastructure financing, the county treasurer shall  
3 distribute receipts from regular taxes imposed on real property located  
4 in the revenue development area as follows:

5 (a) Each participating taxing district and the sponsoring local  
6 government shall receive that portion of its regular property taxes  
7 produced by the rate of tax levied by or for the taxing district on the  
8 property tax allocation revenue base value for that local  
9 infrastructure financing project in the taxing district, or upon the  
10 total assessed value of real property in the taxing district, whichever  
11 is smaller; and

12 (b) The sponsoring local government shall receive an additional  
13 portion of the regular property taxes levied by it and by or for each  
14 participating taxing district upon the property tax allocation revenue  
15 value within the revenue development area. However, if there is no  
16 property tax allocation revenue value, the sponsoring local government  
17 shall not receive any additional regular property taxes under this  
18 subsection (1)(b). The sponsoring local government may agree to  
19 receive less than the full amount of the additional portion of regular  
20 property taxes under this subsection (1)(b) as long as bond debt  
21 service, reserve, and other bond covenant requirements are satisfied,  
22 in which case the balance of these tax receipts shall be allocated to  
23 the participating taxing districts that levied regular property taxes,  
24 or have regular property taxes levied for them, in the revenue  
25 development area for collection that year in proportion to their  
26 regular tax levy rates for collection that year. The sponsoring local  
27 government may request that the treasurer transfer this additional  
28 portion of the property taxes to its designated agent. The portion of  
29 the tax receipts distributed to the sponsoring local government or its  
30 agent under this subsection (1)(b) may only be expended to finance  
31 public improvement costs associated with the public improvements  
32 financed in whole or in part by local infrastructure financing.

33 (2) The county assessor shall allocate any increase in the assessed  
34 value of real property occurring in the revenue development area to the  
35 property tax allocation revenue value and property tax allocation  
36 revenue base value as appropriate. This section does not authorize  
37 revaluations of real property by the assessor for property taxation

1 that are not made in accordance with the assessor's revaluation plan  
2 under chapter 84.41 RCW or under other authorized revaluation  
3 procedures.

4 (3) The apportionment of increases in assessed valuation in a  
5 revenue development area, and the associated distribution to the  
6 sponsoring local government of receipts from regular property taxes  
7 that are imposed on the property tax allocation revenue value, must  
8 cease when property tax allocation revenues are no longer necessary or  
9 obligated to pay the costs of the public improvements. Any excess  
10 local property tax allocation revenues derived from regular property  
11 taxes and earnings on these tax allocation revenues, remaining at the  
12 time the apportionment of tax receipts terminates, must be returned to  
13 the county treasurer and distributed to the participating taxing  
14 districts that imposed regular property taxes, or had regular property  
15 taxes imposed for it, in the revenue development area for collection  
16 that year, in proportion to the rates of their regular property tax  
17 levies for collection that year.

18 **PART IV**  
19 **STATE CONTRIBUTIONS**

20 NEW SECTION. **Sec. 401.** A new section is added to chapter 82.14  
21 RCW to read as follows:

22 SALES AND USE TAX. (1) A sponsoring local government that has been  
23 approved by the department to use local infrastructure financing may  
24 impose a sales and use tax in accordance with the terms of this chapter  
25 and subject to the criteria set forth in this section. Except as  
26 provided in this section, the tax is in addition to other taxes  
27 authorized by law and shall be collected from those persons who are  
28 taxable by the state under chapters 82.08 and 82.12 RCW upon the  
29 occurrence of any taxable event within the taxing jurisdiction of the  
30 sponsoring local government. The rate of tax shall not exceed the rate  
31 provided in RCW 82.08.020(1), less the aggregate rates of any other  
32 local sales and use taxes imposed on the same taxable events that are  
33 credited against the state sales and use taxes imposed under chapters  
34 82.08 and 82.12 RCW. The rate of tax may be changed only on the first  
35 day of a fiscal year as needed. Notice of rate changes must be

1 provided to the department on the first day of March to be effective on  
2 July 1st of the next fiscal year.

3 (2) The tax authorized under subsection (1) of this section shall  
4 be credited against the state taxes imposed under chapter 82.08 or  
5 82.12 RCW. The department shall perform the collection of such taxes  
6 on behalf of the sponsoring local government at no cost to the  
7 sponsoring local government and shall remit the taxes as provided in  
8 RCW 82.14.060.

9 (3) No tax may be imposed under this section before July 1, 2008,  
10 and before approval by the department under section 202 of this act.  
11 Before imposing a tax under this section, the sponsoring local  
12 government shall first have received both local excise tax allocation  
13 revenues and local property tax allocation revenues during the  
14 preceding calendar year. The tax imposed under this section shall  
15 expire when the bonds issued under the authority of section 501 of this  
16 act are retired, but not more than twenty-five years after the tax is  
17 first imposed.

18 (4) An ordinance adopted by the legislative authority of a  
19 sponsoring local government imposing a tax under this section shall  
20 provide that:

21 (a) The tax shall first be imposed on the first day of a fiscal  
22 year;

23 (b) The amount of tax received by the sponsoring local government  
24 in any fiscal year shall not exceed the amount of the state  
25 contribution;

26 (c) The tax shall cease to be distributed for the remainder of any  
27 fiscal year in which either:

28 (i) The amount of tax received by the sponsoring local government  
29 equals the amount of the state contribution;

30 (ii) The amount of revenue from taxes imposed under this section by  
31 all cities and counties equals the annual state contribution limit; or

32 (iii) The amount of tax received by the sponsoring local government  
33 equals the amount of project award granted in the approval notice  
34 described in section 202 of this act;

35 (d) Neither the local excise tax allocation revenues nor the local  
36 property tax allocation revenues can be more than eighty percent of the  
37 total local funds used to earn the state contribution;

1 (e) The tax shall be distributed again, should it cease to be  
2 distributed for any of the reasons provided in (c) of this subsection,  
3 at the beginning of the next fiscal year, subject to the restrictions  
4 in this section; and

5 (f) Any revenue generated by the tax in excess of the amounts  
6 specified in (c) of this subsection shall belong to the state of  
7 Washington.

8 (5) If a county and city cosponsor a revenue development area, the  
9 combined rates of tax shall not exceed the rate provided in RCW  
10 82.08.020(1), less the aggregate rates of any other local sales and use  
11 taxes imposed on the same taxable events that are credited against the  
12 state sales and use taxes imposed under chapters 82.08 and 82.12 RCW.

13 (6) The department shall determine the amount of tax receipts  
14 distributed to each sponsoring local government imposing sales and use  
15 tax under this section and shall advise a sponsoring local government  
16 when tax distributions for the fiscal year equal the amount of state  
17 contribution for that fiscal year as provided in subsection (8) of this  
18 section. Determinations by the department of the amount of tax  
19 distributions attributable to each sponsoring local government are  
20 final and shall not be used to challenge the validity of any tax  
21 imposed under this section. The department shall remit any tax  
22 receipts in excess of the amounts specified in subsection (4)(c) of  
23 this section to the state treasurer who shall deposit the money in the  
24 general fund.

25 (7) If a sponsoring local government fails to comply with section  
26 403 of this act, no tax may be distributed in the subsequent fiscal  
27 year until such time as the sponsoring local government complies and  
28 the department calculates the state contribution amount for such fiscal  
29 year.

30 (8) Each year, the amount of taxes approved by the department for  
31 distribution to a sponsoring local government in the next fiscal year  
32 shall be the lesser of the amount of the project award in the approval  
33 notice described in section 202 of this act or the amount equal to the  
34 state contribution. The department shall consider information from  
35 reports described in section 403 of this act when determining the  
36 amount of state contributions for each fiscal year. A sponsoring local  
37 government shall not receive, in any fiscal year, more revenues from  
38 taxes imposed under the authority of this section than the amount

1 approved annually by the department. The department shall not approve  
2 the receipt of more distributions of sales and use tax under this  
3 section to a sponsoring local government than is authorized under  
4 subsection (3) of this section.

5 (9) The amount of tax distributions received from taxes imposed  
6 under the authority of this section by all sponsoring local governments  
7 is limited annually to not more than five million dollars. The tax  
8 distributions shall be available to the sponsoring local government  
9 imposing a tax under this section only as long as the sponsoring local  
10 government has outstanding indebtedness under section 501 of this act.

11 (10) The definitions in section 102 of this act apply to this  
12 section unless the context clearly requires otherwise.

13 NEW SECTION. **Sec. 402.** USE OF FUNDS. Money collected from the  
14 taxes imposed under section 401 of this act shall be used only for the  
15 purpose of principal and interest payments on bonds issued under the  
16 authority of section 501 of this act.

17 NEW SECTION. **Sec. 403.** REPORTING REQUIREMENTS. (1) A sponsoring  
18 local government shall provide a report to the department by March 1st  
19 of each year. The report shall contain the following information:

20 (a) The amount of local excise tax allocation revenues, and local  
21 property tax allocation revenues, taxes under section 401 of this act,  
22 and revenues from local public sources received by the sponsoring local  
23 government during the preceding calendar year that were dedicated to  
24 pay the public improvements financed in whole or in part with local  
25 infrastructure financing, and a summary of how these revenues were  
26 expended;

27 (b) The names of any businesses locating within the revenue  
28 development area as a result of the public improvements undertaken by  
29 the sponsoring local government and financed in whole or in part with  
30 local infrastructure financing;

31 (c) The total number of permanent jobs created in the revenue  
32 development area as a result of the public improvements undertaken by  
33 the sponsoring local government and financed in whole or in part with  
34 local infrastructure financing;

35 (d) The average wages and benefits received by all employees of  
36 businesses locating within the revenue development area as a result of

1 the public improvements undertaken by the sponsoring local government  
2 and financed in whole or in part with local infrastructure financing;  
3 and

4 (e) That the sponsoring local government is in compliance with  
5 section 204 of this act.

6 (2) The department shall make a report available to the public and  
7 the legislature by June 1st of each year. The report shall include a  
8 list of public improvements undertaken by sponsoring local governments  
9 and financed in whole or in part with local infrastructure financing  
10 and it shall also include a summary of the information provided to the  
11 department by sponsoring local governments under subsection (1) of this  
12 section.

13 **PART V**  
14 **BOND AUTHORIZATION**

15 NEW SECTION. **Sec. 501.** BOND ISSUANCE. (1) A sponsoring local  
16 government that has designated a revenue development area and been  
17 authorized the use of local infrastructure financing may incur general  
18 indebtedness, and issue general obligation bonds, to finance the public  
19 improvements and retire the indebtedness in whole or in part from tax  
20 allocation revenues it receives, subject to the following requirements:

21 (a) The ordinance adopted by the sponsoring local government and  
22 authorizing the use of local infrastructure financing indicates an  
23 intent to incur this indebtedness and the maximum amount of this  
24 indebtedness that is contemplated; and

25 (b) The local government includes this statement of the intent in  
26 all notices required by section 206 of this act.

27 (2)(a) Except as provided in (b) of this subsection, the general  
28 indebtedness incurred under subsection (1) of this section may be  
29 payable from other tax revenues, the full faith and credit of the local  
30 government, and nontax income, revenues, fees, and rents from the  
31 public improvements, as well as contributions, grants, and nontax money  
32 available to the local government for payment of costs of the public  
33 improvements or associated debt service on the general indebtedness.

34 (b) A local government that issues bonds under this section shall  
35 not pledge any money received from the state of Washington for the

1 payment of such bonds, other than the local sales and use taxes imposed  
2 under the authority of section 401 of this act and collected by the  
3 department.

4 (3) In addition to the requirements in subsection (1) of this  
5 section, a local government designating a revenue development area and  
6 authorizing the use of local infrastructure financing may require the  
7 nonpublic participant to provide adequate security to protect the  
8 public investment in the public improvement within the revenue  
9 development area.

10 (4) Bonds issued under this section shall be authorized by  
11 ordinance of the local governing body and may be issued in one or more  
12 series and shall bear such date or dates, be payable upon demand or  
13 mature at such time or times, bear interest at such rate or rates, be  
14 in such denomination or denominations, be in such form either coupon or  
15 registered as provided in RCW 39.46.030, carry such conversion or  
16 registration privileges, have such rank or priority, be executed in  
17 such manner, be payable in such medium of payment, at such place or  
18 places, and be subject to such terms of redemption with or without  
19 premium, be secured in such manner, and have such other  
20 characteristics, as may be provided by such ordinance or trust  
21 indenture or mortgage issued pursuant thereto.

22 (5) The local government may annually pay into a fund to be  
23 established for the benefit of bonds issued under this section a fixed  
24 proportion or a fixed amount of any local excise tax allocation  
25 revenues and local property tax allocation revenues derived from  
26 property or business activity within the revenue development area  
27 containing the public improvements funded by the bonds, such payment to  
28 continue until all bonds payable from the fund are paid in full. The  
29 local government may also annually pay into the fund established in  
30 this section a fixed proportion or a fixed amount of any revenues  
31 derived from taxes imposed under section 401 of this act, such payment  
32 to continue until all bonds payable from the fund are paid in full.  
33 Revenues derived from taxes imposed under section 401 of this act are  
34 subject to the use restriction in section 402 of this act.

35 (6) In case any of the public officials of the local government  
36 whose signatures appear on any bonds or any coupons issued under this  
37 chapter shall cease to be such officials before the delivery of such  
38 bonds, such signatures shall, nevertheless, be valid and sufficient for

1 all purposes, the same as if such officials had remained in office  
2 until such delivery. Any provision of any law to the contrary  
3 notwithstanding, any bonds issued under this chapter are fully  
4 negotiable.

5 (7) Notwithstanding subsections (4) through (6) of this section,  
6 bonds issued under this section may be issued and sold in accordance  
7 with chapter 39.46 RCW.

8 NEW SECTION. **Sec. 502.** USE OF TAX REVENUE FOR BOND REPAYMENT. A  
9 sponsoring local government that issues bonds under section 501 of this  
10 act to finance public improvements may pledge for the payment of such  
11 bonds all or part of any local excise tax allocation revenues and all  
12 or part of any local property tax allocation revenues dedicated by the  
13 sponsoring local government, any participating taxing authority, or  
14 participating taxing district. The local government may also pledge  
15 all or part of any revenues derived from taxes imposed under section  
16 401 of this act and held in connection with the public improvements.  
17 All of such tax revenues are subject to the use restrictions in  
18 sections 202 through 204 of this act, and the process requirements in  
19 section 205(1) of this act.

20 NEW SECTION. **Sec. 503.** BONDS ISSUED NOT AN OBLIGATION OF THE  
21 STATE OF WASHINGTON. The bonds issued by a sponsoring local government  
22 under section 501 of this act to finance public improvements shall not  
23 constitute an obligation of the state of Washington, either general or  
24 special.

25 NEW SECTION. **Sec. 504.** GENERAL INDEBTEDNESS--SECURITY. (1) A  
26 sponsoring local government designating a revenue development area and  
27 authorizing the use of local infrastructure financing may incur general  
28 indebtedness, and issue general obligation bonds, to finance the public  
29 improvements and retire the indebtedness in whole or in part from local  
30 excise tax allocation revenues and local property tax allocation  
31 revenues it receives, subject to the following requirements:

32 (a) The ordinance adopted by the sponsoring local government  
33 creating the revenue development area and authorizing the use of local  
34 infrastructure financing indicates an intent to incur this indebtedness  
35 and the maximum amount of this indebtedness that is contemplated; and

1 (b) The sponsoring local government includes this statement of the  
2 intent in all notices required by sections 204 and 205 of this act.

3 (2) The general indebtedness incurred under subsection (1) of this  
4 section may be payable from other tax revenues, the full faith and  
5 credit of the sponsoring local government, and nontax income, revenues,  
6 fees, and rents from the public improvements, as well as contributions,  
7 grants, and nontax money available to the sponsoring local government  
8 for payment of costs of the public improvements or associated debt  
9 service on the general indebtedness.

10 (3) In addition to the requirements in subsection (1) of this  
11 section, a sponsoring local government designating a revenue  
12 development area and authorizing the use of local infrastructure  
13 financing may require the nonpublic participant to provide adequate  
14 security to protect the public investment in the public improvement  
15 within the revenue development area.

16 NEW SECTION. **Sec. 505.** REVENUE BONDS. (1) A sponsoring local  
17 government may issue revenue bonds to fund revenue-generating public  
18 improvements, or portions of public improvements, that are located  
19 within a revenue development area. Whenever revenue bonds are to be  
20 issued, the legislative authority of the sponsoring local government  
21 shall create or have created a special fund or funds from which, along  
22 with any reserves created pursuant to RCW 39.44.140, the principal and  
23 interest on these revenue bonds shall exclusively be payable. The  
24 legislative authority of the sponsoring local government may obligate  
25 the sponsoring local government to set aside and pay into the special  
26 fund or funds a fixed proportion or a fixed amount of the revenues from  
27 the public improvements that are funded by the revenue bonds. This  
28 amount or proportion is a lien and charge against these revenues,  
29 subject only to operating and maintenance expenses. The sponsoring  
30 local government shall have due regard for the cost of operation and  
31 maintenance of the public improvements that are funded by the revenue  
32 bonds, and shall not set aside into the special fund or funds a greater  
33 amount or proportion of the revenues that in its judgment will be  
34 available over and above the cost of maintenance and operation and the  
35 amount or proportion, if any, of the revenue previously pledged. The  
36 sponsoring local government may also provide that revenue bonds payable

1 out of the same source or sources of revenue may later be issued on a  
2 parity with any revenue bonds being issued and sold.

3 (2) Revenue bonds issued pursuant to this section are not an  
4 indebtedness of the sponsoring local government issuing the bonds, and  
5 the interest and principal on the bonds shall only be payable from the  
6 revenues lawfully pledged to meet the principal and interest  
7 requirements and any reserves created pursuant to RCW 39.44.140. The  
8 owner or bearer of a revenue bond or any interest coupon issued  
9 pursuant to this section shall not have any claim against the  
10 sponsoring local government arising from the bond or coupon except for  
11 payment from the revenues lawfully pledged to meet the principal and  
12 interest requirements and any reserves created pursuant to RCW  
13 39.44.140. The substance of the limitations included in this  
14 subsection shall be plainly printed, written, or engraved on each bond  
15 issued pursuant to this section.

16 (3) Revenue bonds with a maturity in excess of twenty-five years  
17 shall not be issued. The legislative authority of the sponsoring local  
18 government shall by resolution determine for each revenue bond issue  
19 the amount, date, form, terms, conditions, denominations, maximum fixed  
20 or variable interest rate or rates, maturity or maturities, redemption  
21 rights, registration privileges, manner of execution, manner of sale,  
22 callable provisions, if any, and covenants including the refunding of  
23 existing revenue bonds. Facsimile signatures may be used on the bonds  
24 and any coupons. Refunding revenue bonds may be issued in the same  
25 manner as revenue bonds are issued.

## 26 PART VI

### 27 JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE REPORTS

28 NEW SECTION. **Sec. 601.** JOINT LEGISLATIVE AUDIT AND REVIEW  
29 COMMITTEE REPORTS. Beginning September 1, 2013, and continuing every  
30 five years thereafter, the joint legislative audit and review committee  
31 shall submit a report to the appropriate committees of the legislature.  
32 The report shall, at a minimum, evaluate the effectiveness of the local  
33 infrastructure financing tool program, including a project by project  
34 review. The report shall include a comparison of the local  
35 infrastructure financing revenues received to the incremental  
36 improvements in assessed value of the real property located within the

1 revenue development area. The report that is due September 1, 2028,  
2 should also include any recommendations regarding whether or not the  
3 program should be expanded statewide and what impact the expansion  
4 would have on economic development in Washington.

5 **PART VII**  
6 **MISCELLANEOUS**

7 NEW SECTION. **Sec. 701.** DEPARTMENT OF REVENUE EVALUATION. The  
8 department of revenue shall evaluate and periodically report on the  
9 implementation of the local infrastructure financing program to the  
10 governor and legislature as the department deems appropriate and  
11 recommend such amendments, changes in, and modifications of this act as  
12 seem proper.

13 NEW SECTION. **Sec. 702.** CAPTIONS. Captions and part headings used  
14 in this act are not any part of the law.

15 NEW SECTION. **Sec. 703.** SEVERABILITY. If any provision of this  
16 act or its application to any person or circumstance is held invalid,  
17 the remainder of the act or the application of the provision to other  
18 persons or circumstances is not affected.

19 NEW SECTION. **Sec. 704.** PORT DISTRICTS. Nothing in this act shall  
20 be construed to give port districts the authority to impose a sales or  
21 use tax under chapter 82.14 RCW.

22 NEW SECTION. **Sec. 705.** EFFECTIVE DATE. This act takes effect  
23 July 1, 2006.

24 NEW SECTION. **Sec. 706.** EXPIRATION DATE. This act expires June  
25 30, 2039.

26 NEW SECTION. **Sec. 707.** NEW CHAPTER. Sections 101 through 302 and  
27 402 through 601 of this act constitute a new chapter in Title 39 RCW."

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